



USAA INVESTMENT MANAGEMENT COMPANY

Handwritten signature and date 1/6/98

January 7, 1998

Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury
Room 420
401 14th Street, S.W.
Washington, D.C. 20227

Re: *Proposed Regulation 31 C.F.R. Part 208.*

Dear Ms. Johnson:

This letter is in reply to your request for comments in regard to the proposed regulation cited above. USAA Investment Management Company ("USAA IMCO") is an indirect subsidiary of USAA, a reciprocal interinsurance exchange which provides insurance to certain members of the military and their dependants. USAA IMCO markets mutual fund and brokerage products to USAA's members.

USAA IMCO fully supports the federal government's efforts to promote the use of Electronic Funds Transfer ("EFT") for federal payments and recognizes the significant benefits to consumers and to businesses that the efficient use of EFT can produce. In recent years, we have seen a very significant growth in the use of EFT within our industry. At USAA IMCO, many of our customers are already using EFT to direct portions of their government allotments to mutual fund investments. EFT also expedites the process of getting these customers access to their funds. For that reason and others, over fifty percent of our mutual fund dividend distributions to shareholders are currently made via EFT each month.

There are, however, two aspects of the proposed regulation on which we would like to comment. First, we believe it would simplify the process even further if the regulation allowed mutual fund companies to be the direct recipients of EFT credit payments, rather than requiring that funds pass through a broker/dealer account. This would also allow direct-marketed mutual funds to participate in the EFT payment process, on the same footing as broker-sold mutual funds.

Secondly, the requirement that federal payments be deposited into an account protected under applicable federal and state insurance regulations appears both unclear and unnecessary. Funds sent via EFT to broker/dealer accounts for investment in mutual fund shares are generally transferred immediately to the mutual fund companies' accounts. Because the customer's funds do not remain in the insured institution's deposit accounts for even a single business day, the requirement for deposit insurance seems moot. Additionally, the Securities and Exchange

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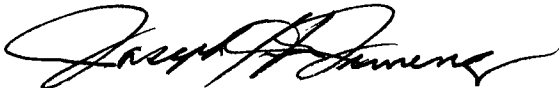
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Commission, the National Association of Securities Dealers, and each federal bank regulatory agency currently has rules which require that certain disclosures be given to investors regarding the absence of deposit insurance and the existence of investment risk in situations where customer confusion is possible. Accordingly, it is our opinion that deposit insurance should be a non-issue in this context.

Thank you for the opportunity to comment on these issues. If you would like to discuss any of my specific comments, please feel free to call me directly at (210) 498-0810.

Respectfully,

A handwritten signature in black ink, appearing to read "Joseph H. L. Jimenez", with a stylized, flowing script.

JOSEPH H. L. JIMENEZ
Vice President
USAA Shareholder Account Services

JLHJ/JAC/42525